

VZCZCXRO5165
PP RUEHFK RUEHKSO RUEHNAG RUEHNH
DE RUEHKO #2983/01 3010133
ZNR UUUUU ZZH
P 270133Z OCT 08
FM AMEMBASSY TOKYO
TO RUEHC/SECSTATE WASHDC PRIORITY 8273
INFO RUEKJCS/SECDEF WASHDC PRIORITY
RHEHAAA/THE WHITE HOUSE WASHINGTON DC PRIORITY
RUEAWJA/USDOJ WASHDC PRIORITY
RULSDMK/USDOT WASHDC PRIORITY
RUCPDOG/USDOC WASHDC PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
RUEKJCS/JOINT STAFF WASHDC//J5//
RHHMUNA/HQ USPACOM HONOLULU HI
RHHMHBA/COMPACFLT PEARL HARBOR HI
RHMFIUU/HQ PACAF HICKAM AFB HI//CC/PA//
RHMFIUU/USFJ //J5/JO21//
RUYNAAAC/COMNAVFORJAPAN YOKOSUKA JA
RUAYJAA/CTF 72
RUEHNH/AMCONSUL NAHA 2958
RUEHFK/AMCONSUL FUKUOKA 0599
RUEHOK/AMCONSUL OSAKA KOBE 4382
RUEHNAG/AMCONSUL NAGOYA 8669
RUEHKSO/AMCONSUL SAPPORO 1172
RUEHBJ/AMEMBASSY BEIJING 6034
RUEHUL/AMEMBASSY SEOUL 2032
RUCNDT/USMISSION USUN NEW YORK 2259

UNCLAS SECTION 01 OF 12 TOKYO 002983

SIPDIS

DEPT FOR E, P, EB, EAP/J, EAP/P, EAP/PD, PA;
WHITE HOUSE/NSC/NEC; JUSTICE FOR STU CHEMTOB IN ANTI-TRUST DIVISION;
TREASURY/OASIA/IMI/JAPAN; DEPT PASS USTR/PUBLIC AFFAIRS OFFICE;
SECDEF FOR JCS-J-5/JAPAN,
DASD/ISA/EAPR/JAPAN; DEPT PASS ELECTRONICALLY TO USDA
FAS/ITP FOR SCHROETER; PACOM HONOLULU FOR PUBLIC DIPLOMACY ADVISOR;
CINCPAC FLT/PA/ COMNAVFORJAPAN/PA.

E.O. 12958: N/A

TAGS: [OIIP](#) [KMDR](#) [KPAO](#) [PGOV](#) [PINR](#) [ECON](#) [ELAB](#) [JA](#)

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 10/27/08

Index:

1) Nikkei poll: 5-point drop in Aso Cabinet support rate to 48 PERCENT , 3-point rise in non-support to 43 PERCENT , with 63 PERCENT of public wanting priority to economy over election (Nikkei)

Defense and security affairs:

- 2) Government backing way for constitutional reason from initial plan to dispatch GSDF helicopters to Afghanistan for rescue of wounded soldiers (Tokyo Shimbun)
- 3) Democratic Party of Japan Secretary General Hatoyama hints at change in party's tactic to confrontation on bill to continue MSDF mission in Indian Ocean (Asahi)
- 4) Ospreys will be deployed to U.S. Marine base Futenma starting in 2012 (Akahata)

ASEM diplomacy:

- 5) Prime Minister Aso, attending ASEM in Beijing, laid out Japan's policy agenda, including abduction issue (Tokyo Shimbun)
- 6) Aso meets Chinese leaders at ASEM, with both sides pledging cooperation on pumping up the dollar (Tokyo Shimbun)
- 7) Text of Aso meetings with French, Italian leaders (Asahi)
- 8) With other countries making up for Japan's share of energy aid to North Korea, Tokyo fear that it has no more cards to play in abduction negotiations (Tokyo Shimbun)

Election issue:

- 9) Aso campaigns on streets of Tokyo's Akihabara district, stressing Japan's responsibility to respond to financial crisis (Nikkei)
- 10) Prime Minister Aso tells ruling camp leaders that Diet

dissolution will be postponed (Nikkei)

11) LDP is split over timing of the Lower House election (Tokyo Shimbun)

12) Ruling and opposition camps clashing in Diet on bills and issue of Diet dissolution (Nikkei)

Economic crisis:

13) Government considering injection of 10 trillion yen in public funds to stop financial panic (Nikkei)

14) Top three banks seeking to recapitalize, with Mitsubishi UFJ aiming at 1 trillion yen (Mainichi)

Articles:

1) Nikkei opinion poll: Cabinet support rate drops to 48 PERCENT , with 63 PERCENT preferring economic stimulus package over holding election

NIKKEI (Page 1) (Excerpt)
October 27, 2008

In an opinion poll carried out Oct. 24-25 by the Nihon Keizai Shimbunsha and TV-Tokyo, the support rate for the cabinet of Prime Minister Taro Aso was at 48 PERCENT , a drop of five points since a spot poll in September right after the cabinet was inaugurated. The non-support rate rose three points to 43 PERCENT . When asked which should be given priority, stimulating the economy or holding a Lower House election, 63 PERCENT opted for the economy, greatly surpassing the 29 PERCENT who preferred dissolving the Diet and holding an election.

TOKYO 00002983 002 OF 012

2) Government once considered dispatch of GSDF to Afghanistan at U.S. request, involving six large-scale helicopters to rescue injured soldiers, but the plan was tabled due to fear of violating the Constitution

TOKYO SHIMBUN (Top play) (Excerpts)
October 27, 2008

At the request of the United States, the government had decided to fully consider dispatching to Afghanistan the Self-Defense Forces. The plan involved dispatching six large-scale CH47 helicopters belonging to the Ground Self-Defense Force (GSDF). The helicopters would be used in the northern part of Afghanistan for air operations in cooperation with German troops. However, in case the use of weapons was required in airlifting troops from the front line, the problem might arise of the use of force in providing rear-guard security which would be a violation of Article 9 of the Constitution. The study was shelved as a result.

The U.S requested that Japan dispatch large-scale transport helicopters. In June, a survey team from the Cabinet Agency, Foreign Ministry and Defense Ministry went to Afghanistan to coordinate with the U.S. military and with ISAF's command. In the study being carried out by the Defense Ministry, the use of Air Self-Defense Force C-130 transport planes for operations in Iraq that would end in December took two years of preparation. The dispatch was boiled down to the use of the GSDF's CH47 choppers.

According to an informed source, the plan being floated involved cooperation with the German troops which had dispatched large-scale CH53 helicopters to northern Afghanistan, where public security was relatively stable. Germany had dispatched six CH53 choppers for general transport of troops and provisions, as well as for medical evacuations of wounded troops from the front lines. It was decided that the GSDF, as well, would alternate with German troops in transport and medivac activities.

However, if the troops returned fire while evacuating wounded troops from the front lines, the problem arose of rear-echelon security, which is considered the use of armed force. The Prime Minister's official residence on receiving the report felt it needed new legislation to dispatch troops to Afghanistan. It also judged it impossible to submit such legislation because of the fear that would

violate the Constitution. In July, then Prime Minister Yasuo Fukuda informed President Bush that it was withdrawing its proposed dispatch, but the U.S. urged Japan to reconsider the decision.

3) DPJ Secretary General Hatoyama hints at switching to a stance of confronting ruling parties on refueling assistance in Diet deliberations

ASAHI (Page 2) (Full)
October 27, 2008

The government and the ruling parties are aiming at securing Diet approval before the end of the month of a bill amending the new Antiterrorism Law to extend the Maritime Self-Defense Force's refueling mission. Referring to Upper House deliberations on the bill, DPJ Secretary General Yukio Hatoyama in a speech given in Wakayama City on October 26 said, "We have been cooperating with the ruling parties in the belief that it would be the quickest approach

TOKYO 00002983 003 OF 012

to materialize Lower House dissolution for snap election. However, things will not be that easy this week." He hinted at the possibility of the DPJ adopting a confrontational stance and refusing to cooperate on the early adoption of the bill.

He stressed, "Mr. Aso is backing away from dissolving the Lower House. If that is the case, the bill will not be adopted so easily, even if the time to do so comes in Diet deliberations, which will start next week." Chances are that if the DPJ switches its present stance, passage of the bill could significantly slip to a later date.

4) U.S. Marine Corps to deploy crash-prone Osprey to Futenma in 2012

AKAHATA (Page 1) (Full)
October 26, 2008

It has become clear that the U.S. Marine Corps is planning to replace the CH-46E medium-lift tandem rotor assault helicopters now deployed at its Futenma Air Station in Ginowan, Okinawa Prefecture, with MV-22 Osprey tilt-rotor vertical/short takeoff and landing (VSTOL) aircraft starting in the fall of 2012. The plan is incorporated in the fiscal 2009 U.S. Marine Corps aviation plan.

Although the Osprey has assault capability far greater than that of the CH-46E, there have frequently been accidents, such as crashes, involving Ospreys. There has long been criticism in Okinawa about the deployment of Ospreys, saying that the aircraft would strengthen the base's functions and increase the chance of accidents.

The two marine helicopter wings in Marine Aircraft Group 36 (MAG-36) of the Futenma Air Station each has 12 CH-46E helicopters. According to the plan, the U.S. Marines Corps will begin replacing one of the two wings' helicopters with Ospreys starting in October 2012 and the other wing's in April 2013. Ahead of them, the U.S. Marine Corps will begin building an Osprey flight training system at the base starting in April 2011.

The governments of Japan and the United States are planning to build a new base replacing Futenma Air Station on the coastal area of Camp Schwab in Nago by 2014. The deployment of the Ospreys goes hand in hand with the construction of the new base.

5) Aso agree with French and Italian counterparts to cooperate in upcoming financial summit

TOKYO SHIMBUN (Page 2) (Full)
October 26, 2008

Tetsuya Furuta, Beijing

Prime Minister Taro Aso held separate meetings with French President Nicholas Sarkozy and Italian Prime Minister Silvio Berlusconi in Beijing on Oct. 25. In the meetings, the three leaders agreed to work in close cooperation to make the global financial summit to be

held in Washington on Nov. 15 a success.

In the Japan-France summit, French President Sarkozy highlighted the need to strengthen regulations and control over financial institutions as a means to deal with the financial crisis. Prime Minister Aso echoed Sarkozy's idea, saying, "I support the idea of

TOKYO 00002983 004 OF 012

introducing control and discipline while giving consideration to transparency." Sarkozy also noted regarding UN Security Council reform: "We strongly support Japan's bid for a permanent seat on the UN Security Council; its reform is a matter of great urgency."

In the Japan-Italy summit, the two leaders agreed to strengthen cultural and economic exchanges via the "year of Italy in Japan" which falls on next year.

6-1) Aso displays leadership at ASEM by explaining Japan's experience amid stock plunge; Decision on Lower House dissolution becomes even more difficult

TOKYO SHIMBUN (Page 2) (Abridged slightly)
October 26, 2008

Tetsuya Furuta, Beijing

In the latest Asia-Europe Meeting (ASEM) summit that centered on measures for the global financial crisis, Taro Aso displayed a certain level of leadership as the prime minister of Japan, which overcame its own financial crisis. Nevertheless, as seen in the yen's further appreciation and stock markets' plunge during his absence from the country, Japan seems to be slipping into recession. Will the prime minister still decide to dissolve the Lower House for a snap general election? He will face a moment of truth after returning home.

In the first ASEM session on Oct. 24 that mainly discussed the international financial and economic aspects, Prime Minister Aso underscored the need for the government to deal with the markets in financial crisis.

As the first Asian leader to take the floor, Aso informed the meeting, which had brought together leaders of 43 countries and two organizations, about Japan's experience of handling its own financial crisis. His explanation that Japan had overcome the financial crisis in the 1990s by injecting public funds, protecting all savings, and purchasing non-performing loans drew much attention.

After the summit, Aso separately met on Oct. 24 with leaders of China, South Korea, and Germany, and on the 25th, with Pakistan, Italy, and France. Aso remained highly popular at the international venue.

After returning home, a high-spirited prime minister will have to make a decision that would directly affect the fate of his administration.

The prevailing view in political circles is that the prime minister will decide to dissolve the Lower House by putting up the results of ASEM and an additional package of economic stimulus measures to be produced as early as Oct. 30.

At the same time, given the increasingly gloomy economic outlook, there is speculation that the prime minister might postpone dissolving the Lower House. On Oct. 24, the prime minister told the press traveling with him: "I believe we have to come up with (an additional) set of bold (pump-priming measures), but that might not be enough." This comment seems to have intensified such an observation.

TOKYO 00002983 005 OF 012

"I will do it when the conditions are best," Aso said. He is

expected to make a final decision after returning home while closely monitoring the economic situation and the major opposition Democratic Party of Japan's response.

6-2) In meeting with Chinese leaders, Aso emphasizes "common benefits"

NIKKEI (Page 2) (Full)
October 25, 2008

(Manabu Shimada, Beijing)

Prime Minister Taro Aso met with Chinese President Hu Jintao and Premier Wen Jiabao, as well as South Korean President Lee Myung-bak in succession on Oct. 24. Aso confirmed in the meetings the importance of promoting bilateral cooperation, giving the impression that his Asia policy has made a smooth start, but no progress was made on pending bilateral issues. Being pressed to make a decision on the timing for a House of Representatives dissolution, Aso appears to be trying to demonstrate diplomatic achievements in a bid to give a boost to his administration.

Delivering a speech in a ceremony in commemoration of the 30th anniversary of the conclusion of the Treaty of Peace and Friendship between Japan and China, Aso emphasized that Japan and China should maintain a relationship of "mutual benefits." He said: "It is important for the two countries to cooperate with each other in friendly rivalry, instead of taking a reserved attitude under the context of friendship. Such a relationship can be called a mutually beneficial bilateral relationship." Aso added: "We should be of more confidence of the potential power of Japan-China relations."

Aso and President Hu shared the view that the two countries should work together to contain the U.S.-triggered financial crisis, believing the crisis will undermine their national interests. They confirmed the need to cooperate in maintaining the stability of the current system in which the dollar is the key currency. The two leaders also agreed to continue communications by phone.

On food safety, Aso ask the Chinese side to take proper measures, saying: "Our people are distrustful of the safety of Chinese food products. I hope you will take measures in an appropriate way." Premier Wen promised to work to strengthen domestic inspection mechanisms for exported food in cooperation with Japan.

Aso, who proudly told accompanying reporters about the success of the bilateral summit meetings with the remark that "the meetings were conducted extremely smoothly," also tried to play up his presence in multinational talks.

In a meeting with the leaders of the China, South Korea, and members of the Association of Southeast Asian Nations (ASEAN), Aso reiterated the significance of Japan's proposal for the International Monetary Fund's (IMF) emergency financing of financially troubled emerging countries. He impressed the participants with Japan's leadership in dealing with the ongoing financial crisis.

Aso thus underscored his success in building confidence with China and South Korea, but he failed to bring about specific results on

TOKYO 00002983 006 OF 012

pending bilateral issues. On the issue of joint development of gas fields in the East China Sea, he ended up just agreeing with the Chinese side to continue working-level talks.

7) Gist of Aso's policy speech on relations with China

ASAHI (Page 4) (Full)
October 25, 2008

The following is a gist of Prime Minister Aso's policy speech on Japan-China relations delivered yesterday.

China is an important country to Japan, and there are not so many such countries. The cardinal point in Japan-China relations is a

mutually indispensable partner to each other. President Hu Jintao told me: "Japan and China can bring about benefits to each other as long as they enjoy peaceful relations, but if the two countries are at loggerheads, each other's benefits will be undermined." This view also bases my view of emphasizing the importance of "mutual benefits" between Japan and China.

Cooperating with each other in friendly rivalry, instead of taking a reserved attitude under the context of friendship, can be called a real strategic mutually-beneficial relationship, I think. Standing on the international stage, the two countries must try to spread the spirit of common benefits across the world.

Looking at the results of opinion polls on relations between Japan and China, I feel somewhat apprehensive. It is important for the two countries to promote dialogues and exchanges at all levels of society to deepen mutual understanding.

The two countries should work together to create the future while modestly reflecting on our past deeds. It is our mission that should be handed over to the next generation.

There are many pending challenges that the two countries should jointly tackle, and the importance of such efforts should be actively dispatched from Asia. Of importance is for the two countries to establish a relationship in which the two leaders can exchange views over the phone immediately after something happens. We should be more confident about the potential power of Japan-China relations and the possibility of cooperation between Japan and China.

Gist of Japan-South Korea summit

The following is a gist of conversations between Prime Minister Aso and South Korean President Lee Myung-bak in their meeting.

Japan-South Korea relations:

Lee: I hope the two countries will establish a future-oriented solid relationship in cooperation.

Aso: South Korea is also the most important neighbor for Japan, which shares such values as freedom, democracy, and basic human rights.

Summit diplomacy

Aso: I propose continuing shuttle summit diplomacy and exchanging

TOKYO 00002983 007 OF 012

views on the phone if necessary.

Lee: Since going to each other's nation is easy, I would like to deepen dialogue. I ask you to visit South Korea.

Aso: I appreciate your invitation. I would like to hold a Japan-China-South Korea summit in Japan later this year.

Lee: I support that idea.

North Korea

Aso: There is the abduction issue, in addition to the nuclear issue. I would like to ask South Korea's continued cooperation.

Lee: North Korea should respond to your call for resolving such inhuman problems as abductions. I support Japan's position.

8) If other countries take over Japan's share of aid to North Korea, Japan may lose bargaining chip on abduction issue

TOKYO SHIMBUN (Page 2) (Excerpts)
October 27, 2008

The government has started coordination with the U.S. and other concerned countries to let other countries, including Australia, pay

its share of economic and energy aid to North Korea. Japan has not participated in aid, citing the position that it cannot join aid before progress is made on the issue of its past abductions of Japanese nationals. But Japan now judges that a delay in its aid in return for its efforts to disable its nuclear facilities might have a negative impact on the North's denuclearization process. But some observers are wary that Japan might lose its effective leverage to advance the abduction issue.

Countries in the six-party talks have already provided the North with 500,000 tons of heavy oil, based on their agreement to offer one million tons of oil if that nation addresses specific steps for disabling its Yongbyon nuclear complex. Of the amount, Japan has been required to offer 200,000 tons of oil (worth 12 billion yen) but has yet to offer anything, citing the unresolved abduction issue as the reason.

A senior Foreign Ministry official explained of the idea of letting other countries pay Japan's share: "Our aim is to create an environment under which we can say in negotiations, 'since we will provide you with all the promised volume of heavy oil, you should promptly take steps to disable the nuclear facility'." Even so, it is highly likely that once Pyongyang receives aid from countries other than Japan, it might become more negative than before toward Japan's requests in an effort to resolve the abduction issue, including a call for setting up a reinvestigation committee.

In a House of Councillors plenary session on Oct. 22, Democratic Party of Japan member Yukihiro Fujita criticized the plan to let other countries assume Japan's payment as a major setback in Japan's diplomacy, pressing the government to withdraw it.

In response, Prime Minister Aso stressed that the plan will not negatively affect Japan's efforts to settle the abduction issue, telling reporters: "The countries involved in the six-party talks, particularly the U.S., understand the importance of the abduction

TOKYO 00002983 008 OF 012

issue."

9) Prime Minister Aso delivers speech in Akihabara; Japan expected by the world to deal with financial crisis

NIKKEI (Page 2) (Full)
October 27, 2008

Prime Minister Taro Aso gave an outdoor speech yesterday in the Akihabara district of Tokyo for the first time since taking office. He stressed: "Japan will have to deal with the financial crisis in cooperation with the international community. It is an important time for Japan, since the world expects our response." He indicated in his remarks that Japan's role would be important in the emergency summit of the Group of Eight, which will take place on Nov. 15 in Washington.

Referring to an impact of the financial crisis (on Japanese institutions), Aso stated: "Japanese financial institutions have suffered less than European and U.S. financial organizations." He also spoke of a second economic stimulus package: "We have to come up with measures to help small and mid-size companies. Business managers will face capital shortfalls in December and January."

Aso did not refer to future political plans.

10) Prime Minister Aso tells ruling parties leaders of his intention to delay Diet dissolution

NIKKEI (Page 1) (Full)
October 27, 2008

It has been learned that senior members of the ruling parties on Oct. 26 were informed by Prime Minister Taro Aso of his intention for the time being not to dissolve the Lower House and call a snap election. The Prime Minister yesterday telephoned Liberal Democratic Party (LDP) leaders to express his thinking about not dissolving the Diet at the present time.

Until now, the Prime Minister has been depicting a scenario involving dissolution as of mid-November with an election set for the 30th of the month. However, he has had to remake the plan all over due to spreading concerns about an economic recession in Japan following the financial crisis set off by America.

Although the Prime Minister had aimed at Diet dissolution after compiling an additional economic stimulus package and passing the bill to extend the refueling mission in the Indian Ocean, the opposition parties have been reacting sharply, threatening to even renege on the promise of passage of the refueling bill if there was a reneging on the dissolution of the Diet. Within the ruling camp, a view of putting off dissolution is spreading, and an aide to the Prime Minister yesterday confided, "There is no one calling for dissolution at such a time."

11) LDP split over Lower House dissolution

TOKYO SHIMBUN (Page 2) (Full)
October 27, 2008

Liberal Democratic Party (LDP) members are split over the timing of a dissolution of the House of Representatives. Most LDP members are

TOKYO 00002983 009 OF 012

now preparing for an election, envisioning one on Nov. 30 and an official campaign being kicked off on Nov. 18. However, a view cautious about the dissolution of the Lower House has now appeared in the LDP due to the plummeting stock prices and yen's sharp rise.

Appearing on an NHK program yesterday, LDP Deputy Secretary General Nobuteru Ishihara revealed the view that it would be difficult for the prime minister to dissolve the Lower House if the sluggish economic situation continues. He stated: "If (stock prices) hit the bottom, we have no time to think about the election. I feel that Prime Minister Aso thinks that a political vacuum should not be created."

Referring on a commercial television program to the emergency summit of the Group of Eight (G-8), which will be held in Washington on Nov. 15, State Minister for Economic and Fiscal Policy Kaoru Yosano pointed out: "(In the summit) Japan will be given an assignment. If we carry out the election during this time, Japan will not be able to respond to international expectations." During a separate TV program, State Minister for Administrative Reform Akira Amari elaborated on his view that a dissolution should be pushed back: "The present financial situation is riddled with angst. If the election is carried out before the recession bottoms out, people will question whether it is a good time for an election."

In a meeting yesterday in Shimane Prefecture, his hometown, Secretary General Hiroyuki Sonoda, who has called for a November general election, asserted that the Lower House should be dissolved quickly to ask for a vote of confidence. He said: "I think it would be good to ask for the people's vote of confidence."

In a meeting on Oct. 25 of the LDP Hokkaido chapter, Finance Minister Shoichi Nakagawa, who has placed priority on the economy, and former Chief Cabinet Secretary Nobutaka Machimura, who favors an early dissolution, skirmished over the dissolution of the Lower House.

12) Tug-of-war between ruling and opposition camps over Lower House dissolution, maneuvering on passage of refueling bill to reach crucial stage

NIKKEI (Page 2) (Full)
October 27, 2008

A tug-of-war is expected this week between the ruling and opposition camps in the ongoing extraordinary Diet session over the dissolution of the House of Representatives and the handling of important bills. The ruling coalition intends to enact on Oct. 30 a bill to extend by one year the Maritime Self-Defense Forces' refueling mission in the Indian Ocean by holding a second vote in the Lower House. Seeing

that, the ruling camp is may try to delay the bill's passage. Many in the Democratic Party of Japan (DPJ), the largest opposition party, have now called on the party to review its strategy, although it has cooperated on deliberations in the Diet with an eye on an early dissolution of the Lower House.

The LDP and DPJ will discuss today a timetable for deliberations on the refueling bill in a meeting of their Diet affairs committee members from the House of Councillors. The LDP is expected to propose taking a vote on the legislation tomorrow in the Upper House Foreign and Defense Committee and on the 29th in an Upper House plenary session. The DPJ, however, intends to insist that (Prime

TOKYO 00002983 010 OF 012

Minister Taro Aso) should make good his promise to dissolve the Lower House soon.

In a meeting yesterday in Wakayama City, DPJ Secretary General Yukio Hatoyama commented on Prime Minister Aso's cautious stance toward an early dissolution:

"Diet deliberations starting tomorrow would not move smoothly forward. It would also be difficult to take a vote on the bill amending the new Antiterrorism Special Measures Law.

DPJ Deputy President Naoto Kan on an NHK talk show yesterday stated:

"I think dissolution has been pushed back because of the economic crisis. (The prime minister) is worried about the election. I don't think he has the nerve. The prime minister is only citing reasons why he can't dissolve the Lower House."

A senior official of the New Komeito, which has called for an early dissolution, said on Oct. 26: "The situation is extremely difficult. The prime minister is inclined to delay dissolution at the urging of his friends." Akihiro Ota, top leader of the New Komeito, plans to meet soon with Aso to ask him to quickly dissolve the Lower House. In the ruling camp, many members are concerned that if dissolution is delayed, Diet management would become difficult. Appearing on an NHK talk show yesterday, Yoshihisa Inoue, deputy head of the New Komeito, stressed: "The prime minister will be able to fulfill his leadership by dissolving the Lower House.

Economic and Fiscal Policy Minister Kaoru Yosano, on a TV Asahi talk show, stated: "I told the prime minister that there is no time for dissolving the Lower House if the financial and securities markets become unstable."

13) Emergency economic market stabilization measures: Government eyeing boosting capital injections into banks to 10 trillion yen

NIKKEI (Top Play) (Excerpts)
October 27, 2008

The government on October 26 underwent final coordination on emergency market stabilization measures. Capital injection using public money, based on a bill amending the Financial Functions Early Strengthening Law, will likely be boosted from the current 2 trillion yen to 10 trillion yen. The government will also incorporate into the package the easing of the restriction on stock acquisition by banks. In order to prevent the financial system from wobbling in the wake of stock plunges, it will underscore a stance of using every possible policy measure. In this connection, State Minister for Fiscal and Financial Policy Shoichi Nakagawa yesterday started undergoing coordination with the possibility of checking a sharp increase in the value of the yen.

Gist of emergency market stabilization measures

? Boost capital injection based on the Financial Function Early Strengthening Law from the current 2 trillion yen to 10 trillion yen

? Stock purchases by the Banks' Shareholdings Purchase Corporation

? Ask the Bank of Japan to purchase bank-held stocks

? Ease the restriction on stock acquisition by banks

? Partial revisions to the mark-to-market accounting system and the categorization of the purposes of securities-holding
? Take a second look at the regulation on the ratio of banks' net worth (with the aim of making banks less vulnerable to stock plunges)
? Further strengthen regulations on short selling stocks
? Improve disclosure on short selling

14) Three leading banks mulling capital increases of up to 1 trillion yen: Stock plunges beginning to affect Japanese banks

MAINICHI (Top Play) (Full)
October 27, 2008

Mainichi Shimbun has learned that three major banking groups, including the Mitsubishi-UFJ Financial Group (MUFG), are considering a major capital increase. Coordination is now underway with the possibility of Mitsubishi-UFJ Financial Group (MUFG) procuring up to 1 trillion yen, the Mizuho Financial Group and the Sumitomo-Mitsui Financial Group several hundred-billion yen. As the financial crisis became more serious, stock prices have plunged in Japan as well, causing the value of banks' holdings to decrease as well. If the decline in stock prices becomes drawn out, they would have to dispose of losses in the closing of accounts. Should that occur, their capital assets could drop significantly. The banks, therefore, intend to stabilize their management by largely reinforcing their capital base.

Compared with financial institutions in the U.S. and Europe, where the financial crisis started, Japanese banks have thus far suffered a relatively minor blow. They have come up with plans to bail out U.S. and European financial institutions, as can be seen in MUFG's plan to invest 9 billion dollars (approximately 850 billion yen) into Morgan Stanley, a major U.S. securities house. However, with the benchmark Nikkei Stock Average slipping to the lowest level since the collapse of the asset-inflated bubble economy, Japanese banks now find it imperative to reinforce their net worth.

MUFG is planning to raise fresh funds by issuing common shares worth over 600 billion yen for public subscription and preferred stocks -- capital stock without the voting right which provides a specified dividend that is paid before any dividends are paid to common stock holders -- targeting institutional investors. Mizuho Financial Group Inc. and Sumitomo Mitsui Financial Group Inc. are considering large-scale capital increases, by issuing preferred shares.

The ratios of the net worth of the three banking groups, which indicates the soundness of their management, as of the end of June were 10.73 PERCENT for MUFJ, 11.59 PERCENT for Mizuho and 10.35 PERCENT for Mitsui Sumitomo. Those numbers are all above the sound level (8 PERCENT) needed for engaging in international business. However, they appear to have incurred losses in their shareholdings (tens of billions of yen per bank) due to the sharp plunge in the Nikkei Stock Average following the financial crisis since September. If stock prices continue to remain in a slump, they would have to report losses when accounts are closed. The likelihood in that case is that the ratio of their net worth would fall below 10 PERCENT in late December, the accounting term for the October-December quarter.

They do not need capital injections using public money, because there is only a small chance of their net worth falling below 8

PERCENT, as they do not have to register a loss like U.S. and European financial institutions. However, determining that it would be necessary to secure 10 PERCENT in order to maintain market confidence, the three groups will aim at reinforcing their capital bases by the end of the year by their own ability.

Amid companies successively going under, the government is calling on major banks to extend loans to small- and medium-size businesses.

As such, boosting lending capacity has also made it indispensable for them to reinforce their capital base.

SCHIEFFER